BEFORE THE REGID TN TENNESSEE REGULATORY AUTHORITY AUTH.

NASHVILLE, TENNESSEE

·03 JUN 16 PM 3 C8

PETITION OF MO-DAD UTILITIES, LLC FOR TRANSFER OF CERTIFICATE OF CONVENIENCE AND NECESSITY AND) .	TRA Docket No. 21112 SEUNETARY
ASSETS OF RIVIERA UTILITIES OF TENNESSEE, INC.)	00-005/7

PETITION FOR TRANSFER OF CERTIFICATE OF CONVENIENCE AND NECESSITY AND APPLICATION FOR APPROVAL OF THE TRANSFER OF ASSETS OF RIVIERA UTILITIES, INC.

Pursuant to Tenn. Code Ann. § 65-4-201 et seq., Mo-Dad Utilities, L.L.C. ("Mo-Dad" or the "Petitioner") hereby petitions for the transfer of a certificate of convenience and necessity and approval of the transfer of certain assets from Riviera Utilities, Inc. ("Riviera") to Mo-Dad.

In support of its Petition, Mo-Dad provides the following information:

Name and Address:

The legal name and physical address of the Petitioner:

Mo-Dad Utilities, L.L.C. 19350 North Muirfield Circle Baton Rouge, Louisiana 70809

Correspondence or communications regarding this Petition should be directed to:

Attorney:

R. Dale Grimes

Christopher L. May

Bass, Berry & Sims PLC 315 Deaderick Street

Suite 2700

Nashville, Tennessee 37238-0002

Confidential
Tho On File

A copy of the Order granting a certificate of convenience and necessity to Riviera is attached hereto as Exhibit 1.

with copies to:

Corporate

William A. Stegall, Sr.

Representative: Manager

Mo-Dad Utilities, L.L.C.

19350 North Muirfield Circle Baton Rouge, Louisiana 70809

Mo-Dad is a limited liability company organized under the laws of Louisiana and qualified to do business in the State of Tennessee. See Ex. 2 (Mo-Dad Articles of Organization), 3 (Certificate of Authorization to transact business in Tennessee).

II. Qualifications.

Tenn. Code Ann. § 65-4-201 requires an applicant for a certificate of convenience and necessity to show that it possesses sufficient financial, managerial and technical abilities to provide the applied-for services. Mo-Dad satisfies each of these requirements.

A. Financial Ability.

Mo-Dad is financially qualified to provide water utility services in Tennessee. Attached are financial statements for William A. Stegall, Sr. (as of June 6, 2000). See Ex. 4. Mr. Stegall will provide the initial capitalization of Mo-Dad and he will personally loan to Mo-Dad the majority of the remaining funds necessary to purchase, upgrade and operate the acquired assets of Johnson Properties. Financial statements of Riviera, as reported by the Debtor-in-Possession, Martin A. Schott, are attached as Exhibit 5.

As described below, Mo-Dad intends to acquire substantially all the assets of Riviera and to make certain improvements to the physical plant thereof. Mo-Dad will fund operations of the property acquired from Riviera through ongoing operational revenues and other capital raised from members of Mo-Dad. Attached are Mo-Dad's three-year pro forma income statement and pro forma

water operation and maintenance expense budget. See Ex. 6, 7. Because the information contained in Exhibits 4, 5, 6 and 7 is confidential and proprietary financial information, these Exhibits are being filed under seal pursuant to Tennessee Regulatory Authority ("TRA") Rule 1220-1-1.03(8).

B. Managerial Ability.

Mo-Dad possesses the managerial qualifications to provide water utility services in Tennessee. As described in the attached bibliographical information, Mo-Dad's management team has extensive management and business experience in the water utility and related industries. See Ex. 8 (biographical information regarding Mo-Dad key personnel).

C. Technical Ability.

Mo-Dad possesses the technical qualifications to provide water utility services in Tennessee. Mo-Dad was organized on April 14, 2000 for the principal, but not exclusive, purpose of purchasing the properties presently owned by Johnson Properties, Inc. ("Johnson Properties"), make all necessary improvements to such properties and provide safe, reliable and high quality service to the people of the communities that it will serve. Mo-Dad's affiliated company, Mo-Dad-1, Inc. has significant long-term experience in the waste water / sewerage business. William A. Stegall, Sr., manager of Mo-Dad-1, Inc. and Mo-Dad, has over 16 years of experience in that industry. Mo-Dad intends to retain William W. Schoening, Jr., current Chief Executive Officer of Johnson Properties, in a similar capacity. Mr. Schoening has eighteen years of experience in the water distribution and wastewater industries. In addition, Mo-Dad's Tennessee operations will be headed by its current manager.

As noted above, Mo-Dad's management will have technical abilities that will enable the Applicant to engineer, construct, operate and manage its water utility in Tennessee. Mo-Dad plans

to retain the services of those employees currently operating the Riviera system, as well as to seek assistance from local Tennessee contractors for improvements and renovations of the Riviera physical plant.

III. Public Interest and Necessity.

The transfer of certificate of convenience and necessity from Riviera to Mo-Dad to operate a water utility in Tennessee will benefit the public because it will enable continuity of the water service presently provided by Johnson Properties and enable improvement of existing systems. William A. Stegall, Sr. and the other managers of Mo-Dad have the technical ability and experience to provide reliable and adequate service to Riviera ratepayers. In addition, Mo-Dad is committed to maintaining, improving and repairing the facilities.

The improvements planned by Mo-Dad also will benefit the public. Mo-Dad intends to implement new, technologically advanced and environmentally friendly systems in the market currently served by Riviera, as well as to make such renovations as are necessary to ensure a properly functioning physical plant. Therefore, as a result of the acquisition, Riviera ratepayers' service quality will be improved. Mo-Dad's commitment to ratepayers, along with its trained technicians and experience (through its affiliate) in technological advances will result in improved quality of service to ratepayers.

In addition to improvements to the physical plant. Mo-Dad will evaluate existing personnel, undertaking a review of current management practices. Managers and technical employees of Johnson Properties and its subsidiaries will be retained based on skill and experience to operate and upgrade facilities. Where needed, new management personnel and technical staff will be added.

Mo-Dad's entry into the Tennessee water utility market will neither prejudice, nor disadvantage any class of water utility customer presently served by Riviera. By acquiring Johnson Properties' assets, Mo-Dad seeks the status of a regulated utility. The TRA will maintain its ability to regulate and audit the operations of Mo-Dad. Consequently, there will be no effect on competition in the marketplace.

Moreover, Mo-Dad's entry into the Tennessee water utility marketplace will benefit the local economy through Mo-Dad's investment in facilities, as necessary. Communities served by Mo-Dad likewise will benefit from improved and consistent service.

IV. Miscellaneous.

A. Authority in Other States.

In addition to Tennessee, Mo-Dad currently is applying for certificates of authority to operate the water utilities currently operated by Johnson Properties in the States of Louisiana, Mississippi, North Carolina, South Carolina and Pennsylvania.

Mo-Dad was recently organized as a limited liability company and therefore has no history of compliance. Its affiliate, Mo-Dad-1, Inc., is unregulated. Mo-Dad-1, Inc., however, has a history of regulatory permitting and compliance through the Louisiana Department of Health and Hospitals.

There are no known restrictions on Mo-Dad's ability to obtain all necessary permits in all jurisdictions.

B. Regulatory Contacts.

Subsequent to regulatory approval, William A. Stegall, Sr. will serve as primary regulatory contact with the Applicant and will possess ultimate responsibility for overseeing and monitoring Mo-Dad's maintenance and repair of systems in Tennessee. In addition, it is anticipated that T.G.

Pappas, R. Dale Grimes and Christopher L. May will continue to represent Mo-Dad for Tennessee legal and regulatory matters. Mr. Stegall may be reached at:

Mo-Dad Utilities, L.L.C. 19350 North Muirfield Circle Baton Rouge, Louisiana 70809 (225) 665-2949 - Telephone

T.G. Pappas, R. Dale Grimes and Christopher L. May may be reached at:

T.G. Pappas
R. Dale Grimes
Christopher L. May
Bass, Berry & Sims PLC
315 Deaderick Street
Suite 2700
Nashville, Tennessee 37238-0002
(615) 742-6200 - Telephone

C. Mergers, Acquisitions and Corporate Structure.

Mo-Dad has not consummated any pertinent mergers or acquisitions. On May 30, 2000, however, Mo-Dad submitted a formal offer for the purchase of all of the assets of Johnson Properties. See Ex. 9.

Johnson Properties holds the stock of approximately 60 subsidiary corporations that operate water utilities and/or sewer services to various areas of the above-referenced states. Johnson Properties filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Middle District of Louisiana, No. 99-14037. The utilities operated by Johnson Properties subsidiaries are regulated by the states in which they operate, including

² Mo-Dad respectfully requests that this Petition be handled expeditiously because the Bankruptcy Court is expected to permit the formal acceptance of bids on June 20, 2000 with the consummation of the transaction expected before the end of December, 2000.

Tennessee. Some of the assets of the Tennessee subsidiary of Johnson Properties, Riviera, may be in need of repairs, renovations or replacement which Mo-Dad has agreed to perform.³

Mo-Dad's offer to acquire Johnson Properties assets are subject to certain conditions precedent, including without limitation:

- (i) Approval by or receipt of letters of non-opposition or permits of all applicable regulatory agencies, including the TRA;
- (ii) That there be no fines, penalties, levies, sanctions, monetary awards, restitutions or other claims imposed by the state or federal regulatory agencies and courts of law upon the assets to be acquired by Mo-Dad; and
- (iii) Mo-Dad's ability to obtain interim adequate rate relief to ensure a reasonable rate of return.

D. Customer Deposits and Non-recurring Charges.

Mo-Dad does not expect to routinely require customer deposits, but may request them in certain circumstances. Mo-Dad will state terms, conditions and amounts for any such deposits in its tariffs, which it will submit for approval of the TRA. Currently, Mo-Dad is not bonded for the amount of any such deposits. Mo-Dad, however, expects to require certain non-recurring charges for initiating service. These charges will also be included in Mo-Dad's tariffs submitted to the TRA.

³ Certain of Johnson Properties' subsidiaries' operations located outside the State of Tennessee have been in such a condition that criminal charges have been filed against its principals. Fines and penalties have been levied and regulatory investigations may have commenced in other states.

E. Policies, Rules and Orders.

Mo-Dad will comply with all applicable statutes, rules and orders concerning the operation of a water utility in Tennessee.

CONCLUSION

Mo-Dad respectfully requests that the TRA transfer the certificate of convenience and necessity currently held by Riviera to Mo-Dad, approve the transfer of assets from Riviera to Mo-Dad and grant such other relief as it deems necessary and proper.

Respectfully submitted,

R. Dale Grimes

Christopher L. May

Bass, Berry & Sims PLC

315 Deaderick Street

Suite 2700

Nashville, Tennessee 37238-0002

(615) 742-6200 - Telephone

(615) 742-2790 - Facsimile

Attorneys for Mo-Dad Utilities, L.L.C.

Dated: June 16, 2000

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

PETITION OF MO-DAD UTILITIES, LLC)		
FOR TRANSFER OF CERTIFICATE OF)	TRA Docket No	1
CONVENIENCE AND NECESSITY AND)		• , •
ASSETS OF RIVIERA UTILITIES OF)	*:•	•
TENNESSEE, INC.		

VERIFICATION

The undersigned attests that he has reviewed this Petition on behalf of Mo-Dad Utilities, L.L.C. (the "Applicant") in the above-mentioned proceeding; that it appears to be true and correct; and that it is hereby adopted on behalf of the Applicant. By this Petition, and participating in all proceedings necessary to effect certification, Applicant hereby asserts its willingness and ability to comply with all rules and regulations that the Tennessee Regulatory Authority may impose subject to Tennessee law as now or hereafter enacted.

MO-DAD UTILITIES, L.L.C.

William A. Stegall, Sr. Manager

This document was signed in my presence

Notary Public

[Seal]

BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION

June 30, 1989

Nashville | Jengessee | Commission | Commissio

IN RE: PETITION OF RIVIERA UTILITATES
OF TENNESSEE, INC., FOR A A
CERTIFICATE OF CONVENIENCE AND
NECESSITY.

CASE NO. U-87-7540

O R D EER

This matter is before the Tennessee Public Service Commission upon the petition of Riviera Utilities of Tennessee, Inc., (Riviera) for a certificate of public convenience and necessity to operate a water supply and distribution system as a public utility.

The matter was set from hearing and heard April 5, 1989, before Mack H. Cherry, Administrative Judge. On May 1, 1989, the Administrative Judge is sued his Initial Order recommending that the petition be granted.

The Commission considered this matter at its

Commission Conference held by Mac 1989. It was

concluded after careful consideration of the entire record,

including the Administrative Judgen's initial Order and only

applicable laws and statutes, that the Administrative Judge's Initial Order should be approved and that the Judge's Initial Order should be approved and that the authority should be granted. The Commission ratifies and

adopts the findings and conclusions of the Administrative

(a) On page 6, line 5, of the Initial Order, the word "operation" should be changed to "operating" and on page 6, line 9, the word "as" should be changed to "and."

The corrected sentence shall read as follows:

The operating ratio (expenses divided by revenues) represents the amount of Riviera's revenues which are to be used to pay for its operating expenses and the remaining revenue is to be used to pay interest and a return to the owners of the system.

(b) On page 7, first paragraph, line 13, "\$4" should be changed to "\$3.60." The corrected phrase shall read:

Water Rate \$3.60 per month (flat monthly billing)

IT IS THEREFORE ORDERED:

- 1. That the Administrative Judge's Initial Order in this docket, dated May 1, 1989, as corrected above, is hereby ratified, adopted and incorporated by reference in this Order as fully as though copied verbatim herein, including the findings and conclusions of the Administrative Judge, which the Commission adopts as its own.
- 2. That Riviera Utilities Company is hereby granted a certificate of convenience and necessity to operate a water supply and distribution system within two developments in the 5th Civil District of Hardeman County, Tennessee, known as Candlewood Lakes and Cherokee Landing as set forth in the petition.

That the following rates are hereby approved:

(flat fee) 3. Water -\$195

Reconnection fee -

- That Riviera shall begin service under its certificate on or after the date of this Order and upon filing tariffs with the Commission consistent with this
- That any party aggrieved with the Commission's decision in this matter may file a Petition for ∀order. Reconsideration with the Commission within ten (10) days from and after the date of this Order.
 - That any party aggrieved with the Commission's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order.

TENNEDSEE PUBLIC SERVICE COMMISSION

460 JAMES ROBERTSON PARKWAY NASHVILLE, TENNESSEE 37219

KEITH BISSELL, CHAIRMAN STEVE HEWLETT, COMMISSIONER FRANK COCHRAN, COMMISSIONER



PAUL ALLEN, EXECUTIVE DIRECTOR HENRY M. WALKER, GENERAL COUNSEL

May 2, 1989



Messrs. Robert L. Echols and Clay Petrey Attorneys at Law 1200 One Commerce Place Nashville, Tennessee 37239

TENNESSEE FUELIG SERVICE COMM. ACCOUNTING

RE: RIVIERA UTILITIES OF TENNESSEE, INC. - U-87-7540

Dear Messrs. Echols & Clay:

I have enclosed a copy of the initial Order of the Administrative Judge in this case noted above.

The Commission will review all of the issues addressed by the judge in his decision and they will provide all parties an opportunity to express their opinion of the findings of the judge.

Enclosed is a copy of the order setting the matter for review. This order does not affect your right to request reconsideration of the initial order of the Administrative Judge.

EXECUTIVE DIRECTOR

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xc: Parties of Record

NOT REMOVE

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BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION Nashville, Tennessee May 1, 1989

IN RE: PETITION OF RIVIERA UTILITIES OF TENNESSEE.
INC., FOR A CERTIFICATE OF CONVENIENCE AND
NECESSITY.

DOCKET NO. U-87-7540

ORDER

This matter is before the Tennessee Public Service Commission upon its own motion.

Having reviewed the initial Order in the above captioned matter on May 2, 1989, the Commission pursuant to T.C.A. Section 4-5-315(b), hereby notifies all parties that the Commission will review all issues raised in the record of this proceeding before the Administrative Judge.

Any party may note his exceptions to the initial Order by filing a brief with the Commission within <u>5 days</u> of the date of this Order. Reply briefs may be filed within <u>5 days</u> after filing exceptions. Any party may request oral argument on the issues raised in the briefs.

Requests for extensions of time within which to file briefs must be made in writing to the Executive Director of this Commission and accompanied by a proposed order to be signed by the Chairman of this Commission. The request must

indicate that copies of the request and proposed order have been served on all parties.

The Commission decision to review the initial Order does not affect any party's right to petition the Administrative Judge to reconsider the initial Order pursuant to T.C.A. Section 4-5-317. Should such a petition be filed, the time limits set forth in this Order for the submission for exceptions and replies be suspended and will begin to run ab initio, from the date of the final order disposition of the petition to reconsider.

CHAIRMAN KEITH BISSELL

COMMISSIONER STEVE HEWLETT

COMMISSIONER FRANK COCHRAN

ATTEST TO:

EXECUTIVE DIRECTOR

23°

BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION Nashville, Tennessee
May 1, 1989

IN RE: PETITION OF RIVIERA UTILITIES OF TENNESSEE, INC., FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. U-87-7540

INITIAL ORBER

This matter is before the Tennessee Public Service Commission upon the petition of Riviera Utilities of Tennessee, Inc., (Riviera) for a certificate of public convenience and necessity to engage in business as a public utility.

The matter was set for hearing and heard April 5, 1989, before Mack H. Cherry, Administrative Judge, at which time the following appearances were entered:

APPEARANCES:

Robert L. Echols and Clay Petrey, Attorneys at Law, 1200 One Commerce Place, Nashville, Tennessee, 37239, appearing on behalf of Riviera Utilities of Tennessee, Inc.

D. Billye Sanders, Assistant General Counsel, Tennessee Public Service Commission, 460 James Robertson Parkway, Nashville, Tennessee 37219-5477, appearing on behalf of the Commission Staff.

Riviera qualifies as a public utility under T.C.A.

Section 65-4-101. This hearing is held pursuant to T.C.A.

Section 65-4-204. In 1983, Riviera, a newly formed

Tennessee corporation, purchased the existing waterworks and

distribution system known as Candlewood Lakes Utilities,
Inc., in Hardeman County, Tennessee, from Candlewood Lakes
Corporation. At that time, the utility furnished water to
the lot owners within the Candlewood Lakes Subdivision
(Candlewood). Riviera then extended the water system to the
adjoining resort project known as Cherokee Landing
(Cherokee), a recreational facility with recreational
vehicle and camping sites. Owners of subdivision lots at
Candlewood pay a water availability fee of \$4 per month to
Riviera. The costs of water services at Cherokee is
included in the owners' monthly maintenance fee. Property
owners at Cherokee own individual interests in sections of
the resort property. There are no individual lot owners at
Cherokee.

Riviera seeks to establish standard utility rates for its water services which are reasonable to its customers, and are sufficient to generate operating revenues to pay for operating expenses and a reasonable return to the owner of the utility. In its original petition, Riviera proposed a monthly water rate of \$4 per month, a tap fee of \$195, and a reconnection fee of \$10. At the hearing, Riviera adopted the recommendation by the Commission Staff of \$3.60 per month for a water rate, plus the tap fee and reconnection fee as originally proposed by Riviera.

SERVICE - AREA

The service area proposed by Riviera is described on the map included in the original petition which shows the

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Landing Resort. Riviera is located in approximately the middle of these two developments. There is no other public utility, utility district or municipality with a franchise or certificate to serve these areas. Thus, the Applicant satisfies the requirements of T.C.A. Section 4-5-203, in that there are no competing water systems currently serving the area which have authority from this Commission.

EVIDENCE-PRESENTED

Dan Lister, General Manager of all engineering, land planning and utilities at the resort properties owned by National American Corporation, a parent company of Riviera. presented testimony concerning the existing utility, water system, and service areas. Mr. Lister stated that the existing water system is supplied by two wells. The main well presently pumps 100 gallons per minute, but is capable of pumping 200 gallons per minute, and the backup well is capable of producing approximately 100 gallons per minute. Storage is provided in a 65,000 standpipe located between the Candlewood and Cherokee developments. Candlewood's average daily usage is approximately 15,000 gallons per day, . and the maximum recorded usage is 57,000 gallons per day. Available water at Riviera is 144,000 gallons per day. The water is distributed to the two developments through an underground waterline distribution system of various lengths and diameters. Anticipated growth in the Candlewood subdivision will be slow, but approximately 600 additional

camping sites are planned at Cherokee. Storage capacity will be added to the base system as needed, and any additional pipeline distribution will be in accordance with regulations.

Mr. Lister stated that Riviera purchased the existing waterworks and system because of serious financial problems at Candlewood, and to insure that the future owners at Cherokee would have a reliable water supply Title to the real estate in Candlewood is owned by the individual lot owners within the subdivision, and the facilities and common areas are owned and operated by the Candlewood Lakes Property Owners' Association. Title to most of the real estate in Cherokee is vested in owners of undivided interests in the various sections of camping areas within the resort. The common areas are owned by Cherokee Landing Corporation, a Tennessee corporation. Riviera desires to serve Candlewood and Cherokee and alleviate them from the worry and burden of operating their own water system. The furnishing of water services by Riviera will benefit the owners and guests at both resorts and said owners and guests will have the protection of the regulatory authority of the Commission.

Mr. Lister further testified that he was familiar with the current physical condition of the waterworks and the distribution system within the service area; and that the water system is working well with no apparent problems. There is a certified operator in charge of the water system

with a current license from the Tennessee Department of Health & Environment, and there are other support personnel for Riviera located at Cherokee Landing for emergency maintenance, complaints, repairs, and site inspections. In addition, there is a free long distance WATS number to call National American Corporation's home office in Gautier, Mississippi, for questions about bills, customer relations or general complaints. Mr. Lister also testified that he is familiar with the financial condition of the utility and that in his opinion, the Commission's Staff recommendation of \$3.60 per month water rate is reasonable and that the revenues to be generated by such rate will provide sufficient revenue to pay operating expenses and a fair return to the owner. Mr. Lister also explained the ownership structure of Riviera and its parent companies. His explanation is supplemented by late-filed Exhibits 2. 3, and 4 which are a part of the record in this case.

Mr. Lister stated that he is not aware of any objection to the proposed water rate structure, and that the owners at Candlewood would be paying less for water per month under the proposed rates than they are currently paying.

Melanie Clayton, a Financial Analyst with the Commission, testified that she had examined Riviera's petition for a certificate of convenience and necessity and had performed an analysis of the utility's operations to determine a reasonable rate to charge its customers. Ms.

Clayton stated that she was unable to calculate a "fair return" the usual method because the original cost data for the utility was not available. As an alternative method, she calculated an operating ratio to determine the fairness of Riviera's proposed rates. The operation ratio (expenses divided by revenues) represents the amount of Riviera's revenues which are to be used to pay for its operating expenses and the remaining revenue is to be used to pay interest as a return to the owners of the system. In this particular case, she used an 86% operating ratio, which means that 86% of Riviera's revenues will be used to finance operating expenses such as maintenance, salaries, and wages, etc., and the other 14% will be used to pay interest and a profit for the owners. In determining a fair operating ratio for Riviera, Ms. Clayton examined operating ratios previously granted by this Commission to utility companies in similar financial positions. In adopting an operating ratio of 86% in this case, she testified Riviera will have adequate cash flow to apply to current operating expenses and the return to the owners will be reasonable. Ms. Clayton stated that the Commission's Staff recommendation of a water rate of \$3.60 per month was reasonable and was commensurate with the operating ratios recently adopted by the Commission. Also, Ms. Clayton stated that the tap fee of \$195 proposed by Riviera, as well as the reconnection fee of \$10 were reasonable and should be approved. Ms. Clayton submitted the findings of the Commission's Staff as an

exhibit to her testimony. Riviera, accepted the findings of the Commission's Staff.

CONCLUSION

It appears from the testimony of the witnesses and exhibits introduced, that Riviera is a public utility under T.C.A. Section 65-4-101. The water utility is the only available water supply for the customers within the designated service area. The system will not interfere or compete with any other line or water system; and Riviera has the financial ability and qualified personnel to operate the system in a reasonable manner. It further appears that the proposed water rates, tap fees and reconnect fees are reasonable and should be granted as recommended by the Commission Staff. The following rates should therefore be adopted:

Water Rate \$4 per month (flat monthly billing)

\$195

Reconnection Fee \$10

Tap Fee

For the foregoing reasons, I find that Riviera
Utilities of Tennessee, Inc., has satisfied the legal
requirements of the State of Tennessee and should be granted
a certificate of public convenience and necessity pursuant
to T.C.A. Section 65-4-204.

T.C.A. Section 4-5-315 provides that all parties shall have an opportunity to appeal initial orders to the

Commission. Nowever, the Commission reviews all initial orders, thereby assuring review. All parties may file exceptions or replies to exceptions in the form of a brief setting forth specific issues. The exceptions and any replies thereto will be considered by the Commission in its review. The Commission will determine the matter in a regularly scheduled Commission Conference. Affected parties may then seek reconsideration of the Commission's Final Order or may appeal the Final Order to the Court of Appeals, Middle Division, within 60 days of the final order.

This Initial Order is prepared in conformity with the Tennessee Uniform Administrative Procedures Act, T.C.A. Section 4-5-101, et seq. Procedures whereby parties seek review, stay, or reconsideration are found in T.C.A. Sections 4-5-315 through 4-5-318. Judicial review of Commission orders is described in T.C.A. Section 4-5-322.

IT IS THEREFORE ORDERED:

- (1) That the petition of Riviera Utilities Company for the issuance of a certificate of public convenience and necessity to operate a water supply and distribution system within the service area designated in the petition and in this Order is hereby granted.
 - (2) That the water rate charges of \$3.60 per month, tap fee of \$195 and reconnect fee of \$10 are approved.

ADMINISTRATIVE JUDGE

EXHIBIT "B"

RIVERIA UTILITIES OF TENNESSEE

The existing system is supplied by 2 wells, one presently pumping 100 gallons per minute, but capable of 200 GPM as the main source and one producing less than 100 GPM as a backup. Approximately 1,060 LF 8", 5, 275 LF 6", 21, 165 LF 4", 13, 030 LF 3", and 6,725 LF 2" line compose the system. Storage is provided in a 65,000 gallon standpipe located on the east side of Candlewood at ground elevation 642.00. The tank is approximately 76 feet high. Candlewood average daily usage is approximately 15,000 GPD with the maximum recorded being 57,000 GPD. Available water with the pump running 24 hours (1440 minutes) at 100 GPM is 144,000 GPD.

The system currently operates under the state of Tennessee Department of Health and Environment number PIVSID #0000797. The operator of record is Mr. James D. Kirk, license #268.

doc.3

RULES AND REGULATIONS

Governing the Water System of

RIVERIA UTILITIES OF TENNESSEE, INC.

Riveria Utilities of Tennessee, Inc., a corporation organized and engaged in Business as a public utility in the State of Tennessee under a Certificate of Convenience and Necessity issued by the Tennessee Public Service Commission submits the following statement of its rules and regulations to the Tennessee Public Service Commission in compliance with the provisions of its said order:

. Statement of Purpose

The general purposes of these rules and regulations are:

- 1. To establish uniform procedures for furnishing water service on a uniform basis to customers within the area in which the company is authorized to do business by its Certificate of Convenience and Necessity.
- 2. To provide standards and procedures to safeguard against overloading the water distribution facilities or damaging the equipment therein.

Substantive Rules

1

EFFECT OF RULES: All provisions of these rules shall be incorporated in each contract with each water service of Riveria Utilities of Tennessee.

II

UTILITY ITEMS ON PRIVATE PROPERTY: Upon the installation of water—lines, each line from the shut-off to the water main shall become and remain the property of Riveria Utilites of Tennessee, Inc. No property of the utility shall be located on the premises of customers except shut-off valves, and the utility shall be responsible for the maintenance and replacement of all service shut-offs, and main shut-off valves.

III

DISCONNECTION AND RE-CONNECTION OF SERVICE: The minimum number of days allowed for payment of a customer's bill defore service will be discontinued for non-payment shall be 20 days after the first day of the month in which the bill is payable. In the event the company shall disconnect any consumer's water service for non-payment of such consumer's water bill, there shall be a special fee of \$10.00 charged for each disconnection of such service and which shall also cover the cost of re-connection in the event re-connection is required.

ΙV

TAPPING FEE REQUIREMENTS: Except to the extent that tapping privileges have been expressly obtained under contract with Riveria Utilities of Tennessee, Inc., in exchange for contributions in aid of construction in the construction of either plant or mains, at a cost equivalent to the tapping fees for the tapping privileges obtained under such contract, each customer, builder, or subdivider shall pay water tapping fees in accordance with the tariff of such fees on file with and approved by the Tennessee Public Service Commission.

V

CUSTOMER BILLING FORMS: All customers billings shall be on a standard form, whether residential, or commercial. A copy of the form is attached hereto (ATTACHMENT #1).

VT

PUBLIC CONTACT: The person who should be contacted with relation to general management duties, customer relations (complaints), engineering operations, and repairs, is:

Juanita Krebs
P.O.R. / Member Relations
1-800-647-6066 ext. 345

The person who should be contacted in connection with emergencies during non-office hours is:

Lonnie Scott 901-376-0933 Maintenance

VII

PUBLIC SERVICE COMMISSION REGULATIONS: The utility, in its operations, shall conform with all applicable rules and regulations promulgated from time to time by the Tennessee Public Service Commission.

Riveria Utilities of Tennessee, Inc.

President

.



SECRETARY OF STATE

As Secretary of State, of the State of Louisiana, I do hereby Certify that

the annexed and following is a True and Correct copy of Articles of Organization and Initial Report as shown by comparison with documents filed and recorded in this Office on April 14, 2000.

In testimony whereof, I have hereunto set my hand and caused the Seal of my Office to be affixed at the City of Baton Rouge on,

Joy H: Lillen

CL Secretary of State



ARTICLES OF ORGANIZATION

OF

MO-DAD UTILITIES, L.L.C.

The undersigned, acting pursuant to the Louisiana Limited Liability Company Law, R.S. 12:1301, et. seq., adopts the following Articles of Organization:

ARTICLE I

NAME

The name of the limited liability company is "Mo-Dad Utilities, L.L.C."

ARTICLE II

PURPOSE

The purpose of the Company is to conduct any lawful activity for which limited liability companies may be formed.

ARTICLE III

MANAGEMENT BY MANAGERS

The Company shall be managed by Managers.

ARTICLE IV

AUTHORITY TO BIND COMPANY

All Managers are mandataries of the Company for all matters whether or not in the ordinary course of the Company's business and a majority of the Managers acting together may alienate, lease or encumber any of the Company's immovables whether or not in the ordinary course of the Company's business. Any limitations on Managers to bind the Company are contained in a written operating agreement.

ARTICLE V

RELIANCE ON CERTIFICATE

Persons dealing with the Company may rely upon a certificate bearing the signature of any Manager to establish the membership of any member, the authenticity of any records of the Company, or the authority of any person to act on behalf of the Company, including but not limited to the authority to take the actions referred to in La. R.S. 12:1318(B).

ARTICLE VI

TERM

The Company is entered into for a term and it shall terminate on December 31, 2050, if it has not terminated prior thereto upon the happening of the events specified in the written operating agreement of the Company.

Baton Rouge, Louisiana this 14 day of April , 2000.

WITNESSES:

-2-

ACKNOWLEDGMENT

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

BEFORE ME, the undersigned authority, personally came and appeared:

William A. Stegall, Jr.

to me known to be the person who signed the foregoing instrument as Organizer, and who, having been duly sworn, acknowledged and declared, in the presence of the undersigned witnesses, that he signed such instrument as his free and voluntary act and deed for the purposes set forth therein.

IN WITNESS WHEREOF, the on this \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \	e Appearer, witnesses and , 2000, at Baton Ro	pearer, witnesses and I have hereunto affixed our hands , 2000, at Baton Rouge, Louisiana.			
WITNESSES:	, 111.	Λ	1		

MOTARY PUBLIC

INITIAL REPORT OF MO-DAD UTILITIES, L.L.C.

STATE OF LOUISIANA PARISH OF EAST BATON ROUGE

BEFORE ME, the undersigned Notary Public, and in the presence of the undersigned witnesses, personally came and appeared William A. Stegall, Jr., the Organizer of Mo-Dad Utilities, L.L.C., who did depose and state:

- (1) The location and municipal address of the Company's registered office is 19350 North Muirfield Circle, Baton Rouge, Louisiana 70810.
- (2) The full name and municipal address of its registered agent is William A. Stegall, Jr., 19350 North Muirfield Circle, Baton Rouge, Louisiana 70810.
- (3) I, William A. Stegall, Jr., hereby acknowledge and accept my appointment as registered agent.

William A. Stegall, Jr.

SWORN TO AND SUBSCRIBED before me, this 14 day of Apr; / , 2000.

NOTARY PUBLIC

(4) The names and addresses of the Manager is:

William A. Stegall, Sr. 19350 North Muirfield Circle Baton Rouge, Louisiana 70810

THUS DONE AND PASSED on this 14 day of Afri , 2000.

WITNESSES:

William A. Stegall, Jr., Organizer

NOTARY BUBLIC



SECRETARY OF STATE

As Secretary of State, of the State of Louisiana, I do hereby Certify that

a copy of the Articles of Organization and Initial Report of MO-DAD UTILITIES, L.L.C.

Domiciled at BATON ROUGE, LOUISIANA,

Was filed and recorded in this Office on April 14, 2000,

And all fees having been paid as required by law, the limited liability company is authorized to transact business in this State, subject to the restrictions imposed by law, including the provisions of R.S. Title 12, Chapter 22.

In testimony whereof, I have hereunto set my hand and caused the Seal of my Office to be affixed at the City of Baton Rouge on,

April 14, 2000

YDY 34926051K Secretary of State



Secretary of State Corporations Section James K. Polk Building, Suite 1800 Nashville, Tennessee 37243-0306

DATE: 06/13/00 REQUEST NUMBER: 3930-2117 TELEPHONE CONTACT: (615) 741-2286 FILE DATE/TIME: 06/12/00 1450 EFFECTIVE DATE/TIME: 06/12/00 1450 CONTROL NUMBER: 0390932

CAPITAL FILING SERVICE, INC. PMB 333 7051 HWY 70 S NASHVILLE, TN 37221

RE: MO-DAD UTILITIES, L.L.C. APPLICATION FOR CERTIFICATE OF AUTHORITY -LIMITED LIABILITY COMPANY

WELCOME TO THE STATE OF TENNESSEE. THE ATTACHED LIMITED LIABILITY COMPANY CERTIFICATE OF AUTHORITY HAS BEEN FILED WITH AN EFFECTIVE DATE AS INDICATED ABOVE.

A LIMITED LIABILITY COMPANY ANNUAL REPORT MUST BE FILED WITH THE SECRETARY OF STATE ON OR BEFORE THE FIRST DAY OF THE FOURTH MONTH FOLLOWING THE CLOSE OF THE LIMITED LIABILITY COMPANY'S FISCAL YEAR. ONCE THE FISCAL YEAR HAS BEEN ESTABLISHED, PLEASE PROVIDE THIS OFFICE WITH WRITTEN NOTIFICATION. THIS OFFICE WILL MAIL THE REPORT DURING THE LAST MONTH OF SAID FISCAL YEAR TO THE LIMITED LIABILITY COMPANY AT THE ADDRESS OF ITS PRINCIPAL OFFICE OR TO A MAILING ADDRESS PROVIDED TO THIS OFFICE IN WRITING. FAILURE TO FILE THIS REPORT OR TO MAINTAIN A REGISTERED AGENT AND OFFICE WILL SUBJECT THE LIMITED LIABILITY COMPANY TO ADMINISTRATIVE REVOCATION OF ITS CERTIFICATE OF AUTHORITY.

WHEN CORRESPONDING WITH THIS OFFICE OR SUBMITTING DOCUMENTS FOR FILING, PLEASE REFER TO THE LIMITED LIABILITY COMPANY CONTROL NUMBER GIVEN ABOVE.

FOR: APPLICATION FOR CERTIFICATE OF AUTHORITY -

ON DATE: 06/13/00

LIMITED LIABILITY COMPANY

RECEIVED: \$300.00

FEES

\$0.00

FROM: CAPITAL FILING SERVICE, INC. PMB 333

7051 HWY 70 SOUTH NASHVILLE, TN 37221-0000

\$300.00 TOTAL PAYMENT RECEIVED:

RECEIPT NUMBER: 00002699109 ACCOUNT NUMBER: 00101230



RILEY C. DARNELL SECRETARY OF STATE

Kely C Darnell



APPLICATION FOR CERTIFICATE OF AUTHORITY FOR MO-DAD UTILITIES, L.L.C.

To the Secretary of State of Tennessee:

Pursuant to the provisions of Section 48-246-301(a) of the Tennessee Limited Liability Company Act, the undersigned limited liability company hereby applies for a certificate of authority to transact business in the State of Tennessee, and for that purpose sets forth:

- 1. The name of the limited liability company is Mo-Dad Utilities, L.L.C.
- 2. The state or country under whose law it is formed is Louisiana.
- 3. The date of its organization is April 14, 2000.
- 4. The complete street address of its registered office in this state and the name of its registered agent at that office is:

Christopher L. May, Esq. Bass, Berry & Sims, PLC 315 Deaderick Street Suite 2700 Nashville, Tennessee 37238-0002

5. The complete street address of the principal executive office in the state of organization is:

Mo-Dad Utilities, L.L.C. 19350 North Muirfield Circle Baton Rouge, Louisiana 70809

6. At the time of filing, there are two (2) members of the limited liability company.

Signature Date	Mo-Dad Utilities, L.L.C. Name of Limited Liability Company
Chief Manager Signer's Capacity	Signature
	William A. Stegall, Sr. Name (typed or Printed)



SECRETARY OF STATE

As Secretary of State, of the State of Louisiana, I do hereby Certify that

a copy of the Articles of Organization and Initial Report of MO-DAD UTILITIES, L.L.C.

Domiciled at BATON ROUGE, LOUISIANA,

Was filed and recorded in this Office on April 14, 2000,

And all fees having been paid as required by law, the limited liability company is authorized to transact business in this State, subject to the restrictions imposed by law, including the provisions of R.S. Title 12, Chapter 22.

In testimony whereof, I have hereunto set my hand and caused the Seal of my Office to be affixed at the City of Baton Rouge on,

Jox Mi 2000

YDY 34926051K Secretary of State



William A. Stegall, Sr. has over sixteen years experience as a principal and officer of M-Dad I, Inc., which has sold over 55,000 500 gallon per day individual home sewage treatment systems in Louisiana and Mississippi. Mo-Dad I, Inc. has also sold approximately 3,000 commercial waste water systems. The systems are installed and inspected by over 400 distributors in Louisiana and Mississippi.

Mo-Dad I, Inc. has led the market in sales of individual home sewage treatment systems. Mo-Dad I, Inc. marketed the first individual home sewage treatment system to use certain technological innovations which have been copied by other manufacturers and have resulted in overall lower purchase and maintenance costs for the customer.

William A. Stegall, Sr. has over 25 years of experience in the real estate business in South Louisiana and maintains a current real estate license in Louisiana. He has owned and operated W.A. Stegall Real Estate from 1984 through the present. In the 1980's, he owned and operated Stafford Concrete and Supply, a hardware and plumbing supplies retail store located in Denham Springs, Louisiana.

William A. Stegall, Sr. is involved in numerous civic and professional activities, including the Federation of Waste Water Treatment and is a committee board member of the Governor's Task Force For Waste Water.

RD 1 Box 201 Rockton, PA 15856 Telephone: 814-583-5296

William W. Schoening, Ir.

Page 1 of 2

Work Experience

1982-1986

Recreation Land Corporation Treasure Lake, DuBois, PA

✓ Water Distribution and Wastewater Collection Construction Laborer

1986-1988

Recreation Land Corporation

Treasure Lake, DuBois, PA

✓ Construction Equipment Mechanic

1989-1990

Riviera Utilities Water & Sewer Company

Treasure Lake, Dullois, PA

Equipment Mechanic

1990-1991

Riviera Utilities Water & Sewer Company

Treasure Lake, DuBois, PA

Maintenance Crew Foreman

1991-1999

Riviera Utilities Water & Sewer Company

Treasure Lake, DuBois, PA

✓ Water and Sewer Facilities Manager

1993-1997

Riviera Utilitics of North Carolina

Lake Royale, Louisburg, NC

✓ Water and Sewer Facilities Manager

1993-1999

Four Seasons Water & Sewer Company

Beech Mountain Lakes, Drums, PA

Water and Sewer Facilities Manager

2000-Present

Johnson Properties, Inc.

1824 Ryder Dr., Baton Rouge, LA

✓ Chief Executive Officer

William W. Schoening, Jr.

Page 2 of 2

Military Service

1982-1988

United States Army Reserves

Fort Seal, OK-Active Duty Station DuBois, PA-Inactive Duty Station

✓ PFC, Rank E-4, Honorable Discharge with Letter of Accommodation

Education

1981

DuBois Area High School

DuBois, PA

✓ Academic Diploma

1991

Pennsylvania State University

DuBois, PA

✓ Supervisory Development Program Certification

References

Kenneth Hendrycy, Sr. Vice President of Operations

National American Corporation, Dallas, TX

Telephone: 800-328-6226

Gary Shambaugh, Executive Vice President

AUS Consultants, Utility Services, Wormleysburg, PA

Telephone: 717-763-9890

Martin Schott, Attorney at Law

Baton Rouge, LA

Telephone: 225-928-9292

EDNA AYLIFFE LATCHEM

ATTORNEY AT LAW
7907 WRENWOOD BOULEVARD, SUITE A
BATON ROUGE, LOUISVAA 70809

TELEPHONE 225.923.1300

E-MAIL ADDRESS: AYLIFFE@INTERSURF.COM TELECOPIER 225.923.1303

÷.,.

May 30, 2000 (Via Hand Delivery and Telecopier @ 924-2469)

Mr. Martin A. Schott, Trustee 7922 Wrenwood Blvd., Suite B Baton Rouge, Louisiana 70809

Re:

Johnson Properties, Inc. Case Number: 99-10437 United States Bankruptcy Court Middle District of Louisiana

* Dear Martin:

Please accept this correspondence as the offer of Mo-Dad Utilities, L.L.C. ("Mo-Dad") to purchase the Assets of Johnson. Exhibit A to this offer contains the definitions of all capitalized terms used in the body of this letter. Also attached to this offer are Exhibit A-1, a list of Johnson facilities, Exhibit A-2, a list of Johnson subsidiaries, and Exhibit B, a biographical description of Mo-Dad, its principals, and operations manager.

Subject to the terms, conditions and other matters set forth herein, Mo-Dad offers to purchase all of the Assets of Johnson for the cash sum of \$1,200,000 (the "Purchase Price"). The payment of this price is not subject to any claim of offset, recoupment, or reimbursement. Mo-Dad acknowledges that not all of the Assets to be sold, transferred and assigned are presently in compliance with the rules, regulations and guidelines of the EPA, the DEQs and/or the DHHs. The sale, transfer and assignment will occur pursuant to 11 U.S.C. section363(f) such that the Assets will be transferred free and clear of all interests, liens, claims or encumbrances of any type or nature, with all right, title and interest of Johnson in and to the Assets being sold, transferred and assigned to Mo-Dad by the Trustee. The sale, transfer and assignment of the Assets by the Trustee will be "As Is, Where Is," without any recourse or warranty, except as being free and clear of any and all interests, claims, liens and encumbrances, but shall include full rights of substitution and subrogation.

The terms, conditions and other matters to which this offer is subject, and all of which must occur as a condition precedent to the closing of this sale are:

- 1. Necessary Regulatory Approvals. These approvals include:
- a. Approval and/or statements of non-opposition or other administrative equivalents of all applicable PSCs of the transfer of any and all assets, licenses, permits, tariffs

and/or other requirements as may be necessary for Mo-Dad to operate the Assets acquired as a sewerage/waste water treatment facility and/or water distribution facility, as applicable.

- b. Approval by the EPA of the transfer of and/or the issuance of any and all licenses, permits and/or other requirements as may be necessary to operate the Assets acquired hereunder as a sewerage/waste water treatment facility and/or water distribution facility, and a mutually acceptable phase-in plan, to include relief from the Consent Decrees, for bringing the Assets into compliance with the rules, regulations and guidelines of the EPA.
- c. Approval of all applicable DEQs of the transfer of and/or issuance of any and all licenses, permits and/or other requirements as may be necessary to operate the Assets acquired hereunder as a sewerage/waste water treatment facility and/or water distribution facility, and a mutually acceptable phase-in plan, to include relief from the Consent Decrees, for bringing the Assets into compliance with the rules, regulations and guidelines of the DEQs.
- D. Approval of all applicable DHHs of the transfer of and/or issuance of any and all licenses, permits and/or other requirements as may be necessary to operate the Assets acquired hereunder as a sewerage/waste water treatment facility and/or water distribution facility, and a mutually acceptable phase-in plan, to include relief from the Consent Decrees, for bringing the Assets into compliance with the rules, regulations and guidelines of the DHHs.
- F. Approval of all applicable Municipalities, if required, of the transfer of and/or the issuance of any and all licenses, permits and/or other requirements as may be necessary to operate the Assets acquired hereunder as a sewerage/waste water treatment facility and/or water distribution facility.
- F. The treatment of any and all fines, penalties, levies, sanctions, monetary awards, restitution, or other claims asserted by the EPA, any of the PSCs, any of the DEQs, any of the DHHs, any of the Municipalities, any of the Federal or State Courts, and/or any other Federal, State or local governmental agency, against Johnson or any of the Assets as a claim in the bankruptcy case not to be visited upon the Assets acquired by Mo-Dad or upon Mo-Dad, except to the extent that any such are incurred or issued for actions, inactions or events first occurring after the Closing of the acquisition of the Assets and which result in the deterioration of the Assets following Closing.
- G. The ability of Mo-Dad to obtain a bond in the amount required by the Louisiana DEQ to operate the Louisiana Assets as sewerage/waste water treatment facilities and/or water distribution facilities or Mo-Dad's ability to negotiate other security satisfactory to Louisiana DEQ, all in accordance with LAC 33 IX, Chapter 23, Subchapter W or any other applicable statute or regulation.

- h. The ability of Mo-Dad to meet the requirements pf any and all other States or jurisdictions regarding security required to operate sewerage/waste water treatment facilities and/or water distribution facilities.
 - i. Approval of Mo-Dad receiving rate relief from the applicable PSCs.
- 2. <u>Substantive Consolidation of All Johnson Subsidiaries and Affiliates.</u> A judgment ordering the substantive consolidation and joint administration of Johnson Properties, Inc. with all of its subsidiaries and affiliates, as set forth on Exhibit A-2, shall be signed, entered, final and non-appealable.
- 3. Confirmation of a Plan of Reorganization. An order of confirmation of a plan of reorganization approving the sale of the Assets of Johnson to Mo-Dad on the terms and conditions reflected in this offer, be signed, entered, final and non-appealable. The Trustee will promptly prepare and submit to the Court, all creditors and all parties in interest, a plan of reorganization which shall incorporate this offer as the basis for the transfer of title to the Assets of Johnson. The plan shall provide for plenary authority of the Trustee to execute any and all documents as may be reasonably necessary to effectuate the sale, transfer and assignment of all right, title and interest of the Trustee in and to the Assets, free and clear of all interests, liens, claims and encumbrances. The plan shall provide for plenary authority of the Trustee to execute any and all transfers, acknowledgments, joint applications, or other requests, acknowledgments, certifications or otherwise as may be required by the EPA, the DEQs, the PSC's, the DHHs, the RUS, the Municipalities, the Federal or State Courts, and/or any other Federal, State or local governmental agency for the transfer of any and all licenses, permits, certificates or other evidence of authority to operate sewage/waste water treatment facilities and/or water distribution facilities within the jurisdiction of the appropriate regulatory body.

The Trustee will in good faith attempt to ascertain the identity and proper mailing address of, and mail any and all notices as required by the Code to any and all creditors and parties in interest. Additionally, the Trustee agrees to provide notice of any and all persons and entities requested by Mo-Dad regardless of the Trustee's belief as to the necessity for such notice. The cost of notice shall be submitted to the bankruptcy court by the Trustee for approval as an administrative expense.

4. Conduct of Business Between Confirmation and Closing. Pending the closing, the Trustee shall conduct the business operations of Johnson only in the ordinary course of business. Unless required by an existing Consent Decree or by a regulatory body having jurisdiction over the Assets, and then, only following notice and hearing, no contracts or commitments will be entered into by or on behalf of the Trustee extending beyond the Closing without the prior written approval of Mo-Dad, except for normal commitments for the purchase of parts, accessories, supplies, service and the like or the sale of the Trustee's services in the

ordinary course of business and without prior written approval of Mo-Dad, no existing contract or commitment will be modified or amended, except in the usual course of business. The Trustee will use his best efforts to preserve Johnson's business organization intact, and to preserve for Johnson a normal business relationship with suppliers, customers, and others having business relations with the Johnson Inventories shall be maintained at their normal level.

The Trustee agrees to make available to Mo-Dad a list of all employees who may, at the option of Mo-Dad become employees of Mo-Dad, together with their pay rate and/or compensation. The Trustee will pay all wages, commissions, bonuses and any other sums or benefits due to its employees, up to and through the date of Closing, and will certify such payment and furnish documentary evidence of such payments to Mo-Dad at Closing, and as to any federal, state or other payroll taxes due related to the Trustee's employees, the Trustee will pay all of those taxes timely, and in all events within 30 days after Closing, and will furnish a written certification of, and documentary evidence of, said payment to Mo-Dad within 30 days after Closing.

than sixty days from the date on which the plan of reorganization is confirmed and such confirmation order is final and executory (the "Closing Date"). Upon mutual agreement of the Trustee and Mo-Dad, the Closing Date may occur at any time following plan confirmation. Provided that Mo-Dad is, in the opinion of Trustee, diligently and in good faith pursuing the fulfillment of the conditions expressed herein, the Trustee may grant one or more extensions of the Closing Date. All transfer and closing documents shall be acceptable to Mo-Dad, its lender(s), and their respective attorneys and to the Trustee. All transferred and assigned under this Agreement shall be prorated between the Trustee and Mo-Dad for such period of time such property is owned by each for the year in which said taxes may be assessed, and all prior years' ad valorem taxes will be paid by the Trustee pursuant to the Plan. The risk of damage, loss, or diministion in value regarding the Assets shall remain on the Trustee through the Closing Date.

Mo-Dad agrees to require employees of Mo-Dad, after the Closing, to assist the Trustee in collecting any accounts receivable accrued prior to Closing; however, Mo-Dad does not accept any liability for the collection of such claims. Mo-Dad agrees to accept payments on the Trustee's accounts receivable for the period of ninety (90) days and deposit same in the Trustee's bank account. Mo-Dad shall have no obligation to make any collection efforts or file any suit on behalf of the Trustee, nor shall Mo-Dad be obligated to discontinue service for the nonpayment of any accounts receivable accrued prior to closing. Mo-Dad agrees to provide to the Trustee and the Trustee's professionals full access to all books and records to Johnson transferred hereunder and any and all documents of Mo-Dad reasonably necessary for the Trustee to audit, if desired, Mo-Dad's collection, post Closing, of the accounts receivable accrued prior to closing.

6. <u>Miscellaneous</u>. This Agreement shall be governed and construed in accordance with the Laws of the United States of America and the State of Louisiana without regard to provisions with regard to conflicts of law.

Except as expressly specified in this paragraph, this offer, if accepted, and approved by the Bankruptcy Court, is not intended to and shall not create any rights or confer any benefits upon any third persons who are not parties to this agreement.

The Order approving the plan of reorganization shall grant the Trustee plenary authority to execute any and all documents which are curative in nature or which may be reasonably necessary or required to more fully and completely evidence title in the Assets in the name of Mo-Dad.

The Bankruptcy Court shall retain jurisdiction to resolve any and all disputes, claims, causes of action or other controversies regarding the ownership of the Assets and the extent to which such Assets are sold, transferred or assigned pursuant to the plan.

Mo-Dad reserves the right to make higher bids for the Assets.

With kindest personal regards, I remain

EAL/kmh

cc: Mr. William Stegall, Sr.

EXHIBIT A

DEFINITIONS

"Assers" shall mean particularly but not exclusively, any and all (1) furniture, futures, equipment, machines, computers, shop equipment, tooks, parts, phones, phone systems, motor vehicles, inventories, pipes, piping, collection system, pumps, grinders, lift stations, or other chantels or movable property owned, leased, occupied or utilized by Johnson, either of record, actually or beneficially or otherwise. (2) any and all immovable property or real or real rights or property rights together with any and all claims or indicis of ownership to any such property, (3) any and all customer lists, business records billing information, files (whether paper or electronic), data sheets, billing summaries, software programs or otherwise, (4) any and all intangible assets, claims or causes of action, contracts, contract rights, operating agreements, phone numbers or the rights thereto, (5) any leasehold interests of any and all movable or immovable property, (6) any and all licenses, permits, tariffs, franchises, certificates or other items required by any rule, regulation or guidelines for the owner of the Assers to operate them as a sewerage/waste water treatment facility or water distribution facility within the jurisdiction of their sites and (7) any and all other property, rights, claims or other assets owned by Joinson other than those specifically identified in the Excluded Assets. The term "Assets" as defined above shall include but not be limited to any and all of those items 1-7 which are, have been or may be imitzed in connection with the operation of those sewerage/waste water treatment systems and water distribution systems set forth in Exhibit A-1, whether identified by the names set forth in Exhibit A-1 or any other name, together with any and all other items 1-7 who are, have been or may be unifized by Johnson in connection with the operation of any other sewerage/waste water treatment facility and water distribution system. The parties, prior to Closing shall endeavor to further specifically list all such assets; however, the failure to list any asset shall not preclude its transfer hereunder.

"Consent Decree" shall mean any and all consent decrees or compliance orders issued by any court or regulatory body involving any of the Assets, Johnson, or any company affiliated with or related to Johnson, including, without limitation, the consent decree entered on July 31, 1998 in the United States District Court for the Western District of Louisiana in case number 6:98CV0687, and the "Consent Order and Agreement" dated June 16, 1997 by and between the Commonwealth of Pennsylvania Department of Environmental Protection, and Riviera Utilities Sewer Company of Pennsylvania.

"Code" shall mean Title 11 of the United States Code, and unless otherwise set forth herein, any and all terms utilized herein shall have the meaning as defined in the Code.

"DEQ" shall mean the Department of Environmental Quality or other similarly designated state offices, agencies, or regulatory authorities of the states in which the Assets of Johnson are located.

"DHH" shall mean the Department of Health and Hospitals or other similarly designated state offices, agencies, or regulatory authorities of the states in which the Assets of Johnson are located.

"EPA" shall mean the Environmental Protection Agency, an agency of the United States of America.

"Excluded Assets" shall mean and be limited to (1) the Assets and the proceeds thereof, of Hartwell Unitries, Inc. and/or Eastern Unitries, Inc. unitized in connection with the operation of the Chickasaw Point Subdivision, County of Oconee, State of South Carolina; (2) all cash on deposit (except for the proceeds of the Silverleaf Transaction if received prior to closing); and (3) the accounts receivable of Johnson for services rendered and accrued through Closing (except to the extent the proceeds due from the Silverleaf Transaction is considered a receivable).

"Johnson" shall mean Johnson Properties, Inc., together with any and all subsidiaries, amiliates, whether or not such entities are a party to the bankruptcy case and shall include particularly, but without limitation, those persons and entities listed on Exhibit A-2.

"Municipalities" shall mean any and all cities, townships, municipal corporations, villages, parishes, counties, districts, wards or other political subdivisions in which the Assets are located.

"PSC" shall mean the Public Service Commission or other similarly designated state offices, agencies, or regulatory authorities of the states in which the Assets of Johnson are located.

"RUS" shall mean Rural Utilities Service, formerly Rural Electrification Administration, an agency of the Department of Agriculture of the United States of America.

"Silverleaf Transaction" shall mean the agreement dated September 21, 1999, and all requirements thereunder, by and between Four Seasons Water Company and Four Seasons Sewer, Inc. and Silverleaf Resorts, Inc. and shall include any and all proceeds thereof and the right to receive any and all future proceeds thereof.

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